



GST EFFECT ON INDIA'S ECONOMY

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ABSTRACT

On the delivery of goods and services, the Goods and Services Tax (GST) is an indirect tax. As a result of the GST Law, which superseded a number of India's previous indirect tax regulations, the government now just has to deal with a single form of indirect tax. CGST, SGST, and the Integrated Goods and Services Tax (IGST) are the three taxes that make up the Goods and Services Tax (GST) (IGST). When products and services are sold together in a single transaction, the cascading effect can be minimised by the introduction of GST. The cost of items will rise if the cascading effect is absent. The GST in India and its effects on the Indian economy are the subject of this essay. There are three main aims of this investigation: to analyse how and why GST was created, how it works, as well as how it affects different industries.

KEYWORDS: Economy, GST, Tax, Good & Service.

INTRODUCTION:

With the Goods and Services Tax, a country's tax structure can be simplified by encouraging and stimulating economic growth. An all-inclusive, all-encompassing national tax is the GST (Goods and Services Tax). The Constitution (One Hundred and Twenty-Second Amendment) Bill, 2014, which is also known as the Goods and Services Tax Bill, establishes a national value added tax in India. In order to achieve systemic uniformity, GST will be an indirect tax that is levied at every stage of production. The central and state taxes will be combined into a single tax payment when GST is adopted. In addition, it would raise India's profile both domestically and internationally. Customers' total tax burden is projected to be between 25 percent and 30 percent, which GST will reduce. However, a well-executed input tax credit scheme eliminates the cascading of taxes—taxes on taxes paid for inputs used in the production of products. Taxes like excise duty and service tax at the federal level, as well as VAT at the state level, would be consolidated under the GST system, which would create a uniform market across the country. The efficient cross-utilization of credits can be done by merging different taxes into a GST system. The current tax structure taxes output, but the GST's primary goal is to tax consumer spending.

RESEARCH OBJECTIVE:

To study the impact of GST on Indian economy

LITERATURE REVIEW:

Indian GST is one of the most complicated in the world, with high tax rates, a wide range of tax rates, and a negative impact on the economy, according to the World Bank's 2018 report "GST in India,"

"An Overview of Goods and Service Tax (GST) in India," by Rathod M (2017) finds that GST would be a step toward a developed India, benefiting several parties and the entire country.

"Goods and Services Tax in India-A Way Forward" by Nitin Kumar (2014) stated that the introduction of GST would aim to correct the current tax system's shortcomings.

Although the introduction of GST in India would likely boost the Indian economy, the focus should be on logical design and timely implementation, according to Monika Sehrawat and Upasana Dhanda (2015) in "GST in India: A Critical Tax Reform"

ECONOMIC CONSEQUENCES OF GST IN INDIA:

- Corruption would be reduced, and tax revenue would rise as a result.
- Through a single taxation, it contributes to a more robust and affluent economy. Tax evaders will be easier to track down with the help of new technology.
- A single market will be created as a result of GST registration. Companies' transaction costs would be reduced, allowing products to move more easily between Indian states.
- Due to lower tax costs and higher manufacturing investment, tax avoidance will be greatly reduced.
- With a single tax instead of multiple levies, tax compliance and monitoring

are simplified.

- Production investment and cost-cutting will lead to an increase in exports.
- Comparing industrial and service industries in terms of tax burden
- Indirect taxes imposed by the federal and state governments would be eliminated if the GST were implemented.
- Because of the GST structure's transparency, the cascading effect will be lessened, and tax compliance and collection will both improve.
- The introduction of GST will demonstrate the country's tax uniformity.
- With lower tax rates and fewer exemptions, a GST system will share the tax burden more evenly between manufacturing and services.
- Tax administration is intended to become more efficient and transparent as a result of this legislation.
- A single national market can be created by reducing the impact of tax cascading.

ANTICIPATED BARRIERS FOR GST:

- A temporary tax system, the goods and services tax (GST) combines several different levies into a single tax. As a market-unifying tax system, it is expected to boost global productivity by enabling the free flow of goods and services across borders.
- Despite this, there will be bumps on the road and a lack of direction during the transition time. It's important to fix a few omissions if we want the benefits to reach every sector of the economy. The dual structure is a nice illustration of this. The tax imposed on the origin state must be tracked all the way to the final destination state. There must be a balance between aggressive taxes and an uninterrupted financial flow for the taxpayer.
- Under the current tax system, central excise is a manufacturing tax and does not show on bills sent to final consumers. Customers might think they are paying more taxes or paying more taxes under the GST system, because invoices would represent the entire tax due.
- The exceptions offered to key businesses like power, fuel, gasoline, crude oil, and real estate are the most evident worry. There is a possibility that these exclusions will not be as successful as expected in reducing the ripple effect of indirect taxes.
- India's parliament's lower house of parliament recently passed four new GST laws. It proposes a 20% central tax and a 40% combined tax. State GST rates are projected to be capped at 20%. There is a chance that these rates will not work.
- Committees have been formed to address these small issues, but only time and strong execution will allow the country to reap all of the benefits of a unified tax system.

IMPACT ON ECONOMIC GROWTH:

Through cascading elimination, it offers single-tax solutions that lower the cost of goods and services. VAT, CST, service tax and SAD will all be abolished as a result of the new law. Excise as well. As a result, more people will be able to find work. The growth of a single national market is extremely important to business owners. Increased global competition for their goods, as well as industrial operations that contribute to long-term economic growth are all aided by this. The federal and state GST rates should be the same to reduce the incentive for tax avoidance. In the long term, India's economy will grow and tax burdens will be reduced, resulting in lower prices for formerly more expensive goods. As a result of a mandated check, businesses and merchants have adopted a new way of doing business. GST is designed to benefit taxpayers by ensuring that small businesses and the unorganised sector are subject to the same rules as larger corporations in international trade forums.

Advantage to industry:

Through the adoption of a comprehensive taxing system, the GST is meant to benefit the end user of the supply chain of goods, including the entire industry, agriculture, and commerce from the beginning to the conclusion. As a result of the lower tax burden, the industry is expected to generate more revenue and more commercial prospects.

Profit to exports:

Product and service prices will be reduced as a result of a reduction in input costs under GST. Indian products and services will now be more competitive in the global market because of this change.

Use to Consumer:

GST administration must be transparent and efficient if consumers are to benefit from lower taxes on the goods and services they buy.

Decrease in Cost:

It is predicted that the implementation of the GST will result in a 6.44 percent drop in the price of cotton textiles, a 11.4% drop for wool, silk, and synthetic fibre textiles, and a 6.44 percent drop for textile products such as clothing (by 17.45 percent). Insofar as clothing costs are a larger portion of the average consumer's budget than they are for the wealthy, the poor stand to gain more from price cuts. It will, to some extent, help to address the pressing issue of poverty. Land, labour, and capital will all see a boost in their real value as a result of the introduction of GST.

GST INDIA VS OTHER COUNTRIES:

Indian officials created the Goods and Services Tax to facilitate interstate commerce, reduce corruption, and assure efficient tax collection. As a result of the dual taxation in India (SGST and CGST), the country is distinct from other countries when it comes to the taxation of goods and services. "All countries, not just India, have a higher tax threshold that reduces the burden on small businesses. SMEs would have problems as a result of this."

IMPACT OF GST ON POVERTY LINE:

As a result, the GST is expected to benefit people from all walks of life.. A national Goods and Services Tax, which may increase inflation in the first few years of introduction, but would gradually boost GDP, is another factor.... There may be no immediate impact on those living below the poverty line because basic necessities like food will likely be exempt from the GST, but a broader tax base should encourage governments to expand funding for social programmes and poverty alleviation initiatives.

GST HELPS GDP GROWTH:

Between 2% and 3% of the growth in capital inputs can be attributed to cost reduction and direct costs.

HOW GST WILL IMPACT SECTORS:

GST would benefit the FMCG/retail industry because of the large unorganised markets. GST rates on commodities like soap and hair oil and toothpaste have been decreased from 500 to 600 basis points. It'll make things a lot easier while you're making the switch. Examples include Colgate, Hull, Heritage Foods, and Britannia, among others.

RECOMMENDATIONS:

Here are a few ideas that may help alleviate some of the negative effects of the GST while also making it more appealing to additional taxpayers:

- The decrease in the GST percentage paid to support small, medium, and big businesses, as well as firms that are expanding (startup).
- In order to give the tax system time to adapt to the change in provision specified.
- In order to ensure that the legislation is error-free and only allows small adjustments, it is necessary to draught legislation and regulations prior to implementation.
- As part of a regional and district-level tax campaign, we will educate the

public on how the GST contributes to economic growth and development.

- During a downturn or recession, businesses can benefit from temporary reductions in GST due to seasonal decreases.

CONCLUSION:

Incorporating the Goods and Services Tax will lead to a corruption-free and transparent tax administration. In developing countries, the scope of direct taxes is limited, although indirect taxes play a significant role in many of them. As a result of the GST, India is better positioned to negotiate trade deals at international trade forums. It could have a negative impact on the economy in the short run due to variables such as a lack of public awareness. The goal of the Goods and Services Tax (GST) is to expand the tax base by bringing SMEs and the unorganised sector under its purview. The Indian market will become more stable and long-lasting as a result of this transformation, and Indian enterprises will be able to compete with those from other countries.

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